

Introduced by Senators Wolk, DeSaulnier, and Huff**(Principal coauthor: Senator Alquist)**

(Principal coauthors: Assembly Members Buchanan and Fletcher)

December 6, 2010

An act to add Sections 9143.5, 13335.3, and 13335.5 to the Government Code, relating to the State Budget.

LEGISLATIVE COUNSEL'S DIGEST

SB 14, as introduced, Wolk. State Budget.

(1) The California Constitution requires the Governor to submit annually to the Legislature a budget itemizing state expenditures and estimating state revenues and requires the Legislature to pass the Budget Bill by midnight on June 15.

This bill would require that the budget submitted by the Governor to the Legislature for the 2014–15 fiscal year and each fiscal year thereafter be developed pursuant to performance-based budgeting, as defined, for each state agency.

(2) Under existing law, a state agency for which an appropriation is made is generally required to submit to the Department of Finance for approval a complete and detailed budget setting forth all proposed expenditures and estimated revenues for the ensuing fiscal year.

The bill would require the budget of a state agency, as defined, submitted to the department to utilize performance-based budgeting, for all programs, as defined. The bill would authorize a joint committee, utilizing the recommendations of specified entities, to propose changes to those programs. The bill also would establish a task force comprised of the Director of Finance, the Controller, and the chairpersons and vice chairpersons of the Senate Committee on Budget and Fiscal Review and Assembly Committee on Budget to develop performance-based

budgeting guidelines and procedures, including a process for phasing in requirements of performance-based budgeting, and to review and comment on a training and education program for state agency personnel involved in the budget process developed by the Department of Finance.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 9143.5 is added to the Government Code,
2 to read:
3 9143.5. (a) Within one year of the effective date of the act that
4 added this section, the Legislature shall establish a process,
5 including the creation of a new or use of an existing joint
6 committee, and shall include a schedule and a deadline for
7 reviewing the performance of all programs at least once every 10
8 years in a bill implementing the Budget Act. The process
9 established by the Legislature shall include the participation of the
10 budget committee of each house of the Legislature. The schedule
11 shall provide for reviewing programs with expenditures that total
12 one-third or more of total expenditures by July 1, 2015, and that
13 total two-thirds of total expenditures by January 1, 2018. For
14 purposes of this section, “expenditures” include statutory
15 exemptions, deductions, credits, or exclusions from taxes or fees
16 that would otherwise apply.
17 (b) Six months prior to the deadline for review of each program,
18 the joint committee shall refer the initial program review to the
19 appropriate policy committees of each house of the Legislature.
20 For programs with common objectives, the reviews may be
21 combined. Within 90 days prior to the deadline, the policy
22 committees shall make recommendations regarding a program to
23 the joint committee. The joint committee’s review may be based
24 on the recommendations of the policy committees, as well as
25 recommendations that may be made by the Milton Marks “Little
26 Hoover” Commission on California State Government Organization
27 and Economy, the Legislative Analyst, the Bureau of State Audits,
28 or the public. As part of its recommendations to the joint
29 committee, the Bureau of State Audits shall identify those programs
30 that pose the greatest financial risks to the state. If following the
31 review of one or more programs the joint committee determines

1 that statutory changes are necessary, the joint committee may
2 propose legislation that includes, but is not limited to, one or more
3 of the following:

- 4 (1) Modifications to the program that will reduce costs.
- 5 (2) Modifications to the program that will improve outcomes.
- 6 (3) Reorganization of the program by consolidating it with
7 programs that have similar objectives.
- 8 (4) Termination of the program.

9 (c) Proposed legislation shall be submitted to the Committee
10 on Rules of each house of the Legislature for referral to the
11 appropriate policy committee for public hearing and further action.

12 (d) The joint committee shall post on an Internet Web site its
13 recommendations and the results of the Legislature's action.

14 (e) "Performance-based budgeting" has the same meaning as
15 set forth in subdivision (d) of Section 13335.3.

16 (f) For the purposes of this section, "program" includes statutory
17 or constitutional provisions that authorize services, regulate
18 activities, provide preferences in the tax system, or otherwise
19 confer a benefit that would not otherwise occur were it not for the
20 action of the state government, including the procedures used to
21 administer those programs, and that have a fiscal effect on the
22 state.

23 SEC. 2. Section 13335.3 is added to the Government Code, to
24 read:

25 13335.3. (a) The purpose of performance-based budgeting is
26 to inform policy, fiscal, and oversight decisions by the Governor
27 and Members of the Legislature; to focus managers, supervisors,
28 and rank-and-file workers on achieving desired goals; and to
29 communicate to the public the value of public programs, progress
30 toward desired results, and the choices available to improve the
31 expenditure of public funds.

32 (b) Every state agency for which an appropriation has been
33 made shall submit to the department for approval a complete and
34 detailed budget at the time and in the form prescribed by the
35 department, setting forth all proposed expenditures and estimated
36 revenues for the ensuing fiscal year.

37 (c) The budget submitted to the department and proposed by
38 the Governor shall use performance-based budgeting methods that
39 make it clear to policymakers and the public the value and results
40 of existing operations and proposed changes.

1 (d) As used in this article, “performance-based budgeting”
2 means establishing clear accountability by achieving measurable
3 performance results from the expenditure of state resources.

4 (e) A performance-based budget shall identify and update all
5 of the following:

6 (1) The mission and goals of the agency.

7 (2) The activities and programs focused on achieving those
8 goals.

9 (3) Performance metrics that reflect desired outcomes for
10 existing and proposed activities and a targeted performance level
11 for the following year.

12 (4) Prior-year performance data and an explanation of deviation
13 from previous-year targets.

14 (5) Proposed changes in statute, including the creation of
15 incentives or elimination of disincentives that could improve
16 outcomes or hold down costs.

17 (f) The Governor’s Internet Web site shall provide a summary
18 of each state agency’s mission, goals, prior-year performance, and
19 future-year objectives.

20 SEC. 3. Section 13335.5 is added to the Government Code, to
21 read:

22 13335.5. (a) Not later than the 2014–15 fiscal year, and each
23 fiscal year thereafter, the budget submitted by the Governor to the
24 Legislature, as required by Section 12 of Article IV of the
25 California Constitution, shall be developed by utilizing
26 performance-based budgeting methods.

27 (b) The amount of each appropriation made in the Budget Act
28 for the 2014–15 fiscal year, and each fiscal year thereafter, for
29 expenditure by any state agency shall be determined after
30 considering performance-related data. The Budget Bill submitted
31 by the Governor also shall include performance standards, which
32 may be amended by the Legislature in the same manner as
33 amendments to appropriations in the Budget Bill. These standards
34 shall be applied to each state agency, and should allow the public
35 and policymakers to understand the effectiveness and efficiency
36 of each program.

37 (c) The Legislative Analyst’s Office shall review the adequacy
38 of performance metrics and progress toward targeted outcomes in
39 preparing its review of the Governor’s Budget proposal.

1 (d) A task force consisting of the director, the Controller, and
2 the chairpersons and vice chairpersons of the Senate Committee
3 on Budget and Fiscal Review and the Assembly Committee on
4 Budget shall do all of the following:

5 (1) Review and comment on guidelines and procedures drafted
6 by the department to be used by state agencies in developing
7 performance-based budgets pursuant to Sections 13320 and
8 13335.3. The guidelines shall describe how state employees will
9 be involved in establishing and implementing performance
10 standards.

11 (2) Review and comment on a training program developed by
12 the department for appropriate executive branch personnel to ensure
13 the successful implementation of performance-based budgeting
14 and management by state agencies.

15 (3) Review and comment on a plan prepared by the department
16 for systematically phasing in the requirements of Sections 13320
17 and 13335.3. The plan should ensure that, by the 2012–13 fiscal
18 year, performance-based budgeting methods are used in preparing,
19 reviewing, and enacting one-third or more of the total General
20 Fund expenditures as proposed in the Governor’s Budget for that
21 fiscal year.

22 (e) For purposes of this article, “state agency” means any
23 agency, department, or other entity of the executive branch of the
24 state that is required to submit a budget pursuant to Article 2
25 (commencing with Section 13320).